

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	1
PA RESPONSE	2
FINDINGS AND RECOMMENDATION	
Prosecutor and Assistant Prosecutor's Time Documentation	2
PAR for 100% IV-D Staff	2
Central Services, Fringe Benefits	3
Recommendations	3

INTRODUCTION

Arenac County Prosecuting Attorney (PA) had a contract with the Michigan Family Independence Agency (FIA) to establish paternity and to obtain support orders for all cases where the Arenac County PA had jurisdiction. The Arenac County PA billed FIA monthly under the actual cost reimbursement billing method. FIA reimbursed Arenac County PA for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Arenac County PA for the period October 1, 1999 through September 30, 2000. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if the costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that Arenac County PA staff did not properly document their time. We also found that the Arenac County PA overbilled the FIA for fringe benefit allocations included in central services but the differences were too minor to make an adjustment. Therefore, there is no amount due FIA.

Our report recommends that the Arenac County PA document time in accordance with the PAAM PAR requirements and properly calculate central services costs.

PA RESPONSE

The PA stated, in the response to findings #1 and 2 of our draft report, that they will prepare proper time documentation, currently and in the future. The preparer of the Arenac County central services cost plan responded, for the PA, to finding #3 and indicated that the allocations were appropriate.

FINDINGS

Prosecutor and Assistant Prosecutor's Time Documentation

1. The Arenac County PA Prosecutor and Assistant Prosecutor did not document time in accordance with Prosecuting Attorney Letter 99-004 (PA 99-004). The Arenac County PA chose to use the PAAM Personal Activity Report (PAAM PAR) that is allowed under PA 99-004. One requirement, of the PAAM PAR report instructions, is that time is entered as each IV-D activity begins and ends. The Prosecutor and the Assistant Prosecutor's IV-D did not enter their time in accordance with the instructions. No adjustment is made because they did assign time to cases, all of their time appeared to be reported, and they signed and dated the reports.

PAR for 100% IV-D Staff

2. 100% IV-D staff did not document their time in accordance with the PAAM PAR requirements described above under Finding # 1. The PAAM PAR requirements state that 100% IV-D staff should fill out the report, indicate they are 100% IV-D, and sign the report. No adjustment is made because the 100% IV-D staff appeared to be a specific individual assigned to IV-D work separate from the other PA staff.

Central Services, Fringe Benefits

3. The Arenac County PA overbilled the FIA for fringe benefit costs included in central services. The Arenac County indirect cost plans allocated FICA, retirement, workers' compensation, unemployment, health insurance, accumulated sick and vacation, and life insurance costs to the Arenac County PA. These allocations (other than the accumulated sick and vacation, which was properly allocated,) appeared, for the most part, to be allocations of additional costs. As part of our review of the billed personnel costs we tied the personnel costs to source documents. (The billed costs contained all of the same costs, other than the accumulated sick and vacation, that were included in the indirect cost plans.) The review indicated that FIA was billed actual cost. There is no basis to allow any additional costs (other than possibly a reallocation of other internal service fund department costs) as part of central services. The allocated dollar amounts for 1997 and 1998 (used to bill 1999 and 2000) were very minor and therefore no adjustment is made. The same allocations, however, were made in the 1999 and 2000 indirect cost plans. This means that, in addition to the contract year covered by this audit, contract years 10/01/2000-9/30/2001 and 10/01/2001-9/30/2002 billed costs could be overstated.

WE RECOMMEND that the Arenac County PA document time in accordance with the PAAM PAR requirements, and properly calculate central services costs.